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FISCAL IMPACT STATEMENT

LS 6659

BILL NUMBER: SB 420

NOTE PREPARED: Jan 4, 2011

BILL AMENDED:

SUBJECT: Weighted Student School Funding Formula.

FIRST AUTHOR: Sen. Kruse

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Budget and Academic Growth Goals:* This bill requires school corporations to establish academic growth goals for each student.

School Building Budget and Accounting System: The bill establishes a method of internal accounting for school corporations requiring school corporations to allocate 95% of the funds received by the school corporation (exclusive of money used for debt service and capital construction) to each elementary school and secondary school operated by the school corporation.

The bill specifies that the principal of an elementary school or a secondary school is primarily responsible for determining how money allocated to the school will be spent.

School Formula: The bill establishes a school funding formula. It provides standards for distributing categorical grants. It also provides a method for making state tuition support and certain other money available to each elementary school and secondary school based on a weighted student formula developed by the school corporation with the assistance of a school funding task force.

Effective Date: July 1, 2011; January 1, 2012.

Explanation of State Expenditures: *School Building Budget and Accounting System:* The bill would require the state to develop an accounting system that treats each school as a separate cost center within the school corporation. Currently, schools may have the school finance information by school for school corporation use but is not required to be reported to the state, and it may not be uniform between school corporations. The State Board of Accounts would have to develop the new cost center accounting system. The Department

of Education and Department of Local Government Finance would also have to modify some computer programming to accommodate the changes. The impact would depend on whether the modifications could be done by existing staff. The cost of a person to spend about ½ year in each agency to develop the new accounting system would be about \$140,000.

School Formula: The bill would establish a school tuition support formula that distributes \$6,629,356,665 in CY 2012 and \$6,634,577,697 in CY 2013. The state will distribute about \$6.3 B in CY 2011 in tuition support and full-day kindergarten funding. The school formula distributes \$4,856 per student in CY 2012 and 2013 and also provides additional funding for students who are eligible for free or reduced school lunch of \$2,428. Some school corporations' schools would receive more funding (about 246 schools would receive about \$441 M in additional funding in 2012), and some would receive less (about 105 schools would receive about \$177 M less in 2012.)

The school corporation is required to develop a weighted student formula for allocating the tuition support to their individual schools. The weighted student formula may result in some individual schools getting more funding and some getting less than the current method of allocating funds. The formula is to be developed by the School Funding Task Force. The task force is to include at a minimum:

1. Members who are principals and teachers.
2. Members who are special education administrators and teachers.
3. Members who are parents of children enrolled in the school corporation.

The bill repeals the primetime, small school, and restoration grant calculations used in the CY 2011 school formula for the CY 2012 and 2013 calculations. It also repeals the adjusted ADM, complexity index, and transition-to-foundation calculations for CY 2012 and 2013 that are part of the CY 2011 calculation.

Explanation of State Revenues:

Explanation of Local Expenditures: *Academic Growth Goals:* Each teacher is required, with consultation with the student's parents, to establish academic growth goals for each student at the beginning of the school year and regularly measure the student's growth throughout the school year. The impact would be the time needed to establish the academic goals of each student, meet with the parent to discuss the goals, and measure the student's academic growth. If it could be done during the normal instructional day, then there would not be any fiscal impact. But, if it required additional time and if the additional time was compensated, then there could be additional expenses for the school. Any impact on actual teacher compensation would depend on contract negotiations. There are approximately 998,569 students in public schools.

School Building Budget and Accounting System: The impact would depend on the cost of modifying the local schools' current accounting system to be able to have schools as cost centers in the system. *As an example:* The cost of modifying the local school computer accounting system could average about \$10,000. The actual cost is unknown and would vary by school.

The additional expense of having the elementary school or a secondary school be responsible for determining how money allocated to the school will be spent would depend on whether the principal could do so with current personnel. There are approximately 1,893 schools. *As an example:* If a school had to hire a bookkeeper, the average salary would be about \$30,000. Currently, many schools operate extracurricular accounts at the building level. If the school operating account was done by the same person, there would be little, if any, increase in expenses.

Explanation of Local Revenues: *School Formula: See Explanation of State Expenditures.*

Capital Projects Fund (CPF) Utility and Property Insurance: The bill eliminates the expiration of the authority of a school corporation to impose a property tax levy for the Capital Projects Fund for the purposes of paying the costs of insurance and utilities. The maximum amount of CPF funding that can be used for paying the costs of insurance and utilities is about \$204.5 M each year. Currently, the provision is only valid through CY 2011. In CY 2009, school expenditures from the CPF for utilities and property insurance was about \$185.7 M.

State Agencies Affected: State Board of Accounts; Department of Education; Department of Local Government Finance.

Local Agencies Affected: Local schools.

Information Sources: Department of Education databases.

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